

IMLAY CITY COMMUNITY SCHOOLS

IMLAY CITY, MICHIGAN

AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2008

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Lewis & Knopf, CPA & PC

Serving You with Trust and Integrity

September 22, 2008

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Imlay City Community Schools

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Imlay City Community Schools, as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Imlay City Community Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Imlay City Community Schools as of June 30, 2008, and the respective changes in financial position, thereof and the respective budgetary comparison for the General Fund and 2003 Debt Retirement Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report under separate cover dated September 22, 2008 on our consideration of the Imlay City Community Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The management's discussion and analysis information on pages II - VIII, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Imlay City Community Schools' basic financial statements. The additional information on pages 20 - 37 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Lewis & Knopf, P.C.

LEWIS & KNOFF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

IMLAY CITY COMMUNITY SCHOOLS – IMLAY CITY, MICHIGAN
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

The Administration’s Discussion and Analysis, a requirement of GASB 34, is intended to be the Imlay City Community Schools’ Administration’s discussion and analysis of the financial results for the fiscal year ended June 30, 2008.

Generally accepted accounting principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: District Wide Financial Statements and Fund Financial Statements.

Fund Financial Statements:

The School District’s fund financial statements provide detailed information about the most significant funds – not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Food Service and Athletics Funds are examples) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects). The governmental funds of the School District use the following accounting approach:

Governmental funds – All of the School District’s services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District’s programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year’s payments of principal and interest on long-term obligations are recorded as expenditures. Future year’s debt obligations are not recorded.

District Wide Financial Statements:

The District wide financial statements are full accrual basis statements. They report all of the District’s assets and liabilities, both short and long-term, regardless if they are “currently available” or not. For example, assets that are restricted for use in the Debt Funds solely for the payment of long-term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and obligations of the District are reported in the Statement of Net Assets of the District wide financial statements.

One of the most important questions asked about the School District is, “As a whole, what is the School District’s financial condition as a result of the year’s activities?” The statement of net assets and the statement of activities, which appear first in the School District’s financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year’s revenues and expenses are taken into account regardless of when cash is received or paid.

IMLAY CITY COMMUNITY SCHOOLS – IMLAY CITY, MICHIGAN
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

District Wide Financial Statements: (Continued)

These two statements report the Imlay City Community Schools net assets – the difference between assets and liabilities, as reported in the statement of net assets – as one way to measure the School District’s financial health or financial position. Over time, increases or decreases in the School District’s net assets – as reported in the statement of activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District’s operating results. However, the School District’s goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The statement of net assets and the statement of activities report the governmental activities for the School District, which encompasses all of the School District’s services, including instruction, support services, community services, athletics, and food services. Property taxes, unrestricted State aid (foundation allowance revenue), and State and federal grants finance most of these activities.

The School District as Trustee – Reporting the School District’s Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District’s fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the School District’s other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

SUMMARY OF NET ASSETS:

The following summarizes the net assets at the fiscal years ended June 30, 2008 and 2007:

	<u>NET ASSETS SUMMARY</u>	
	<u>2008</u>	<u>2007</u>
<u>ASSETS</u>		
Current Assets	\$7,749,037	\$9,853,154
Non-Current Assets	<u>29,832,019</u>	<u>29,741,678</u>
<u>TOTAL ASSETS</u>	<u>\$37,581,056</u>	<u>\$39,594,832</u>
 <u>LIABILITIES</u>		
Current Liabilities	\$3,877,262	\$6,415,987
Long-Term Liabilities	<u>28,881,882</u>	<u>29,907,084</u>
Total Liabilities	<u>\$32,759,144</u>	<u>\$36,323,071</u>
 <u>NET ASSETS</u>		
Invested in Capital Assets - Net of Related Debt	40,758	(871,243)
Restricted - Debt Retirement	1,364,749	1,081,427
Unrestricted	<u>3,416,405</u>	<u>3,061,577</u>
Total Net Assets	<u>\$4,821,912</u>	<u>\$3,271,761</u>
 <u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$37,581,056</u>	<u>\$39,594,832</u>

IMLAY CITY COMMUNITY SCHOOLS – IMLAY CITY, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

RESULTS OF OPERATIONS:

For the fiscal years ended June 30, 2008 and 2007 the District wide results of operations were:

	<u>2008</u>	<u>2007</u>
REVENUES		
General Revenues:		
Property Taxes Levied for General Operations	\$2,289,641	\$2,205,657
Property Taxes Levied for Debt Service	2,430,978	2,258,087
State of Michigan Unrestricted Foundation Aid	14,486,481	14,542,069
Other General Revenues	<u>438,847</u>	<u>581,750</u>
Total General Revenues	\$19,645,947	\$19,587,563
<u>Operating Grants:</u>		
Federal	1,340,078	1,278,182
State of Michigan	1,259,589	1,242,463
Other Grants	<u>113,322</u>	<u>79,484</u>
Total Operating Grants	\$2,712,989	\$2,600,129
Charges for Services:		
Food Service	337,696	334,258
Athletics	143,710	87,609
Special Education Consortium	21,026	155,316
Other Charges for Services	<u>133,998</u>	<u>125,376</u>
Total Charges for Services	\$636,430	\$702,559
Total Revenues	\$22,995,366	\$22,890,251
 <u>EXPENSES</u>		
Instruction & Instructional Support	10,655,293	10,787,364
Support Services	7,312,371	7,498,986
Community Services	45,425	45,821
Food Service	874,726	884,697
Athletics	617,778	595,173
Interest on Long-Term Debt	1,231,953	1,461,854
Issuance Costs	0	162,282
Depreciation	<u>707,669</u>	<u>743,905</u>
Total Expenses	\$21,445,215	\$22,180,082
 (DECREASE) IN NET ASSETS	\$1,550,151	\$710,169
 BEGINNING NET ASSETS	<u>3,271,761</u>	<u>2,561,592</u>
 <u>ENDING NET ASSETS</u>	<u><u>\$4,821,912</u></u>	<u><u>\$3,271,761</u></u>

IMLAY CITY COMMUNITY SCHOOLS – IMLAY CITY, MICHIGAN
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

GOVERNMENT- WIDE FINANCIAL ANALYSIS

Analysis of Financial Position:

During the year ended June 30, 2008, the District’s total net assets increased by \$1,550,151 to a total of \$4,821,912. The largest portion of the net assets are the District’s investment in capital assets. Net assets (invested in capital assets, net of related debt) increased by \$912,001 during the year due to purchases of new capital assets and principal payments on related debt exceeding depreciation. The Districts unrestricted net assets increased by \$354,828 during the year and the restricted portion of the net assets increased by \$283,322. The restricted net assets consists of the restricted debt retirement funds that may only be used to pay bonded debt and restricted capital projects funds that may only be used to fund capital projects. The unrestricted net assets may be used to fund the educational services provided to students.

Analysis of Results of Operations

The District’s overall revenues exceeded its expenses for the year by \$1,550,151. The total revenues increased by \$105,115. The major changes were the net increase in property tax revenues and state aid of \$201,287, increases in federal grants of \$44,578 and decreases in insurance reimbursements of \$150,019. Expenses decreased by \$734,867. Major decreases were in interest expense, bond issuance costs, depreciation and decreases in operating areas amounted to \$306,448.

FINANCIAL ANALYSIS OF GOVERNMENT’S FUNDS – GOVERNMENTAL FUNDS

Analysis of Financial Position

The focus of the District’s governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District’s financing requirements. In particular, unreserved fund balance may serve as a useful measure of a governments net resources available for spending at the end of the fiscal year. An analysis of changes for the governmental funds is as follows:

General Fund

The District’s general fund is the chief operating fund of the district. Unreserved fund balance for the general fund increased by \$260,216 during the year with the increase coming primarily from an increase in cash. Revenues and other financing sources for the year increased by \$180,486 primarily from the increases in property taxes and loan proceeds. Expenses and other financing uses increased by \$609,931 primarily due to financing of five buses, amounting to \$349,940 and building repairs, primarily the repair of the middle school roof, increased \$633,189 from the prior year. Wages and benefits decreased \$374,972 from 2006-2007. The major savings in this area was the change in health insurance; this savings amounted to \$192,671. The major source of general fund revenues is state aid and taxes. An analysis of them is as follows:

1. State of Michigan Unrestricted Aid (Net State Foundation Grant)

The State of Michigan aid, unrestricted, is determined with the following variables:

- a. State of Michigan State Aid Act per student foundation allowance
- b. Student Enrollment - Blended at 75 percent of current year’s fall count and 25 percent of prior year’s winter count
- c. The District’s non-homestead tax levy

2. Per Student, Foundation Allowance:

Annually, the State of Michigan establishes the per student foundation allowance. The Imlay City Community Schools foundation allowance was \$7,204 per student for the 2007-2008 school year.

IMLAY CITY COMMUNITY SCHOOLS – IMLAY CITY, MICHIGAN
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

FINANCIAL ANALYSIS OF GOVERNMENT’S FUNDS – GOVERNMENTAL FUNDS (Continued)

Analysis of Financial Position (Continued)

General Fund (Continued)

3. Student Enrollment:

The District’s blended student enrollment for the fall count of 2007-2008 was 2,368 students. A decrease of 24 students from the prior year.

4. Property Taxes Levied For General Operations (General Fund Non-Homestead Taxes)

The District levies 18 mills of property taxes for operations (General Fund) on Non-Homestead Properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year’s CPI increase or 5 percent, whichever is less. At the time of sale, a property’s taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value.

The District’s non-homestead property tax revenue for the 2007-2008 fiscal year was \$2,289,038. An increase of \$91,446 from the prior year.

2003 Debt Retirement Fund

The District’s debt retirement fund balance increased by \$283,322. The fund balance is restricted to use for payments on bonded debt. The fund had expenditures of \$2,283,604 and transfers of \$2,000,282 to other debt funds in paying the required interest and principal payments of the school’s bonded debt. The majority of the fund’s revenue is derived from tax collections. An analysis of them is as follows:

1. Debt Fund Property and Industrial Facility In Lieu of Taxes

The District’s debt fund levy, which is used to pay the principal and interest on bond obligations, is based on the taxable valuation of all properties: homestead and non-homestead. In addition, the District collects IFT (Industrial Facilities Taxes) In Lieu of Taxes that are essentially taxed at 50 percent of the regular tax rate.

For 2007-2008, the District’s debt millage levy was 5.75 mills that generated revenue of \$2,358,196. An increase of \$71,943 from the prior year.

MAJOR FUND BUDGETARY HIGHLIGHTS:

GENERAL FUND BUDGET VS. ACTUAL

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Original & Final Budget %</u>	<u>Variance Actual & Final Budget %</u>
Revenue	\$19,154,643	\$19,652,316	\$19,717,958	2.60	0.33
Expenditures	19,581,173	19,893,352	19,457,742	1.59	2.19
<u>TOTAL</u>	<u>(\$426,530)</u>	<u>(\$241,036)</u>	<u>\$260,216</u>		

IMLAY CITY COMMUNITY SCHOOLS – IMLAY CITY, MICHIGAN
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

ANALYSIS OF BUDGETS:

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year.

As a matter of practice, Imlay City Community Schools amends its budget during the school year. The June, 2008 budget amendment was the final budget for the fiscal year. Significant items affecting the budgets for the fiscal year were:

General Fund:

- Original vs. Final Budgets
 - Revenues – Significant items affecting original vs. final revenue estimates included the addition of the bus financing proceeds of \$350,740 in the final budget and the elimination of the \$100,000 in budgeted insurance refund revenues.
 - Expenditures – The final expenditure budgets increased \$642,874 from the original budget. The major area of increase was in the expenditure for the bus financing, this amounted to \$350,740.
- Final Budget vs. Actual Results
 - Revenues – Actual revenues were \$63,097 more than budgeted for. This is a positive variance of one third of one percent.
 - Expenditures – Actual expenditures were \$ 404,990 less than budgeted. This is a positive variance of just over 2%. This was due to the diligence of our administrators and staff in anticipation of a shortfall and enrollment decline in the 2008-2009 year.

CAPITAL ASSET AND DEBT ADMINISTRATION

A. Debt, Principal Payments

The District made principal payments on bonded, long-term debt obligations that reduced the amount of the District’s long-term liabilities as follows:

	Principal Balance 7-01-07	Increases (Decreases) 6-30-08	Principal Payments 6-30-08	Principal Balance 6-30-08
Bonds Payable	\$29,177,103	\$0	\$1,045,000	\$28,132,103
Installment Contracts	537,537	350,740	58,302	829,975
Unamortized Premium	898,281	0	69,098	829,183
Compensated Absences	466,563	0	13,162	453,401
<u>Total Long-Term Debt</u>	<u>\$31,079,484</u>	<u>\$350,740</u>	<u>\$1,185,562</u>	<u>\$30,244,662</u>

IMLAY CITY COMMUNITY SCHOOLS – IMLAY CITY, MICHIGAN
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

A. Debt, Principal Payments (Continued)

The District is indebted on a installment contract to Tri County Bank for the purchase of five 71 passenger school buses. The installment contract calls for 5 annual payments of \$78,566, including interest at 3.90% per annum and matures in September, 2012. The balance at June 30, 2008 was \$350,740.

B. Capital Assets

The District’s net investment in capital assets increased by \$99,091 during the fiscal year. This can be summarized as follows:

	Balance 7-1-07	Additions	Deductions	Balance 6-30-08
Capital Assets	\$41,957,652	\$1,021,323	\$245,068	\$42,733,907
Less: Accumulated Depreciation	(12,215,974)	(926,607)	(240,693)	(12,901,888)
<u>Net Investment Capital Assets</u>	<u>\$29,741,678</u>	<u>\$94,716</u>	<u>\$4,375</u>	<u>\$29,832,019</u>

Significant additions were the replacement of the middle school roof and the purchase of 5 buses.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET

* Foundation Allowance

The Board of Education and Administration agreed to an estimate of a foundation allowance of \$7,304 per pupil for the 08-09 fiscal year based on information received from various educational organizations such as Michigan Association of School Business Officials, Michigan Association of School Administrators, and the Michigan Association of School Boards as well as discussions with local state representatives. The district budgeted for an enrollment decline of 47 students from the fall of 2007. This was in anticipation of a projected statewide decline of 25,000 students. As of the date of presentation of this audit report, the September count is estimated to be down about 74 students from the fall 2007 count.

* The Imlay City Community Schools 2008/2009 adopted budget is as follows:

REVENUE (Includes Estimated Fund Balance)	\$19,075,936
EXPENDITURES	<u>20,027,567</u>
<u>NET (UNDER) BUDGET</u>	<u>(\$951,631)</u>

CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the District’s finances. If you have questions about this report or need additional information, contact the Business Office, Imlay City Community Schools.

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2008

	<u>Governmental Activities</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash and Cash Equivalents	\$2,135,137
Investments	2,514,710
Taxes Receivable	800
Accounts Receivable	9,227
Due from Other Governmental Units	2,975,873
Inventory	6,974
Prepaid Expenses	106,316
Total Current Assets	<u>\$7,749,037</u>
<u>NON-CURRENT ASSETS</u>	
Capital Assets	42,733,907
Less: Accumulated Depreciation	<u>(12,901,888)</u>
Total Noncurrent Assets	<u>\$29,832,019</u>
<u>TOTAL ASSETS</u>	<u>\$37,581,056</u>
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	\$696,028
Due to Other Governmental Units	50,925
Salaries Payable	1,191,704
Accrued Expenses	551,718
Deferred Revenue	24,107
Current Portion of Long-Term Obligations	<u>1,362,780</u>
Total Current Liabilities	<u>\$3,877,262</u>
<u>NON-CURRENT LIABILITIES</u>	
Noncurrent Portion of Long-Term Obligations	<u>28,881,882</u>
<u>TOTAL LIABILITIES</u>	<u>\$32,759,144</u>
<u>NET ASSETS</u>	
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt (Deficit)	40,758
Restricted for:	
Debt Retirement	1,364,749
Unrestricted	<u>3,416,405</u>
Total Net Assets	<u>\$4,821,912</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$37,581,056</u>

See accompanying notes to the basic financial statements.

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue & Change in Net Assets</u>
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities:				
Instruction	\$10,655,293	\$0	\$2,027,747	(\$8,627,546)
Support Services	7,312,371	155,024	113,322	(7,044,025)
Community Services	45,425	0	0	(45,425)
Food Service	874,726	337,696	571,920	34,890
Athletics	617,778	143,710	0	(474,068)
Interest - Long-Term Obligations	1,231,953	0	0	(1,231,953)
Depreciation - Unallocated	707,669	0	0	(707,669)
<u>TOTALS</u>	<u>\$21,445,215</u>	<u>\$636,430</u>	<u>\$2,712,989</u>	<u>(\$18,095,796)</u>
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes				4,720,619
State Aid				14,486,481
Investment Earnings				233,084
Miscellaneous				205,763
Total General Revenues and Transfers				<u>\$19,645,947</u>
Change in Net Assets				<u>\$1,550,151</u>
Net Assets - Beginning				<u>3,271,761</u>
<u>Net Assets - Ending</u>				<u>\$4,821,912</u>

See accompanying notes to the basic financial statements.

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2008

	General Fund	2003 Debt Retirement Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>				
Cash and Cash Equivalents	\$248,012	\$1,212,196	\$674,929	\$2,135,137
Investments	2,514,710	0	0	2,514,710
Taxes Receivable	545	255	0	800
Accounts Receivable	4,954	0	4,273	9,227
Due from Other Governmental Units	2,969,747	0	6,126	2,975,873
Due from Other Funds	254,622	152,298	0	406,920
Inventory	0	0	6,974	6,974
Prepaid Expenses	93,109	0	13,207	106,316
<u>TOTAL ASSETS</u>	<u>\$6,085,699</u>	<u>\$1,364,749</u>	<u>\$705,509</u>	<u>\$8,155,957</u>
<u>LIABILITIES</u>				
Accounts Payable	\$681,797	\$0	\$14,231	\$696,028
Due to Other Governmental Units	50,704	0	221	50,925
Due to Other Funds	152,298	0	254,622	406,920
Salaries Payable	1,188,398	0	3,306	1,191,704
Accrued Expenses	340,988	0	407	341,395
Deferred Revenue	12,129	0	11,978	24,107
Total Liabilities	\$2,426,314	\$0	\$284,765	\$2,711,079
<u>FUND BALANCES</u>				
Reserved For:				
Inventory	0	0	6,974	6,974
Debt Retirement	0	1,364,749	0	1,364,749
Unreserved:				
Undesignated, Reported In:				
General Fund	3,659,385	0	0	3,659,385
School Service Funds	0	0	413,770	413,770
Total Fund Balances	<u>\$3,659,385</u>	<u>\$1,364,749</u>	<u>\$420,744</u>	<u>\$5,444,878</u>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$6,085,699</u>	<u>\$1,364,749</u>	<u>\$705,509</u>	<u>\$8,155,957</u>

See accompanying notes to the basic financial statements.

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
AS OF JUNE 30, 2008

Total Governmental Fund Balances:	\$5,444,878
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Amounts reported for governmental activities in the statement of
net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$42,733,907 and the accumulated depreciation is \$12,901,888	29,832,019
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Accrued Interest on Long-Term Debt	(210,323)
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Long-term liabilities, including bonds payable, are not due and
payable in the current period and therefore are not reported a
liabilities in the funds. Long-term liabilities at year end consist of:

Bonds Payable	\$28,132,103	
Land Contract	479,235	
Installment Contract	350,740	
Unamortized Premium	829,183	
Compensated Absences Payable	453,401	
Total Long-Term Liabilities	<u> </u>	<u>(30,244,662)</u>

<u>TOTAL NET ASSETS -</u> <u>GOVERNMENTAL ACTIVITIES</u>	<u><u>\$4,821,912</u></u>
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IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	General Fund	2003 Debt Retirement Fund	Other Governmental Funds	Total Governmental Funds
<u>REVENUES</u>				
Local Sources	\$2,751,263	\$2,505,237	\$550,991	\$5,807,491
State Sources	15,707,323	0	38,747	15,746,070
Federal Sources	806,905	0	533,173	1,340,078
Total Revenues	\$19,265,491	\$2,505,237	\$1,122,911	\$22,893,639
<u>EXPENDITURES</u>				
Current:				
Instruction	10,583,434	0	0	10,583,434
Student Services	1,121,278	0	0	1,121,278
Instructional Support	678,655	0	0	678,655
General Administration	338,492	0	0	338,492
School Administration	1,413,691	0	0	1,413,691
Business Administration	234,429	0	0	234,429
Operation & Maintenance of Plant	2,637,554	0	0	2,637,554
Transportation	1,556,966	0	0	1,556,966
Support Services - Other	253,396	0	0	253,396
Community Services	45,425	0	0	45,425
Food Service & Athletics	0	0	1,419,207	1,419,207
Debt Retirement				
Principal	0	160,000	885,000	1,045,000
Interest	0	52,255	1,243,362	1,295,617
Dues and Fees	0	9,378	775	10,153
Total Expenditures	\$18,863,320	\$221,633	\$3,548,344	\$22,633,297
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$402,171	\$2,283,604	(\$2,425,433)	\$260,342
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers to (from) Other Funds	(501,882)	(2,000,282)	2,502,164	0
Loan Proceeds	350,740	0	0	350,740
Other Transfers	9,187	0	0	9,187
Total Other Financing Sources (Uses)	(\$141,955)	(\$2,000,282)	\$2,502,164	\$359,927
Net Change in Fund Balance	\$260,216	\$283,322	\$76,731	\$620,269
<u>FUND BALANCE - BEGINNING</u>	3,399,169	1,081,427	344,013	4,824,609
<u>FUND BALANCE - ENDING</u>	\$3,659,385	\$1,364,749	\$420,744	\$5,444,878

See accompanying notes to the basic financial statements.

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

Total net change in fund balances - governmental funds	\$620,269
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.	90,341
Proceeds from Installment Contract	(350,740)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of repayments reported as expenditures in the governmental funds.	1,172,400
Change in accrued interest on long-term liabilities	4,719
(Increase) in accrued compensated absences	<u>13,162</u>
<u>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</u>	<u>\$1,550,151</u>

STATEMENT OF FIDUCIARY NET ASSETS
IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
AS OF JUNE 30, 2008

	Trust & Agency
<u>ASSETS</u>	
Cash and Cash Equivalents	<u>\$152,320</u>
<u>TOTAL ASSETS</u>	<u>\$152,320</u>
<u>LIABILITIES</u>	
Due to Student Groups	<u>\$152,320</u>
<u>TOTAL LIABILITIES</u>	<u>\$152,320</u>

See accompanying notes to the basic financial statements.

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<u>REVENUES</u>				
Local Sources	\$2,723,756	\$2,717,310	\$2,751,263	\$33,953
State Sources	15,436,679	15,660,499	15,707,323	46,824
Federal Sources	772,760	824,585	806,905	(17,680)
Total Revenues	<u>\$18,933,195</u>	<u>\$19,202,394</u>	<u>\$19,265,491</u>	<u>\$63,097</u>
<u>EXPENDITURES</u>				
Current:				
Instruction	10,709,570	10,750,712	10,583,434	167,278
Student Services	995,524	1,151,146	1,121,278	29,868
Instructional Support	883,139	719,773	678,655	41,118
General Administration	408,290	346,721	338,492	8,229
School Administration	1,341,301	1,472,872	1,413,691	59,181
Business Administration	180,245	249,523	234,429	15,094
Operation & Maintenance of Plant	2,528,372	2,646,289	2,637,554	8,735
Transportation	1,256,812	1,601,517	1,556,966	44,551
Support Services - Other	264,852	277,389	253,396	23,993
Community Services	57,331	52,368	45,425	6,943
Total Expenditures	<u>\$18,625,436</u>	<u>\$19,268,310</u>	<u>\$18,863,320</u>	<u>\$404,990</u>
Excess of Revenues Over Expenditures	<u>\$307,759</u>	<u>(\$65,916)</u>	<u>\$402,171</u>	<u>\$468,087</u>
<u>OTHER FINANCING SOURCES (USES)</u>	<u>(734,289)</u>	<u>(175,120)</u>	<u>(141,955)</u>	<u>33,165</u>
Net Change in Fund Balance	<u>(\$426,530)</u>	<u>(\$241,036)</u>	<u>\$260,216</u>	<u>\$501,252</u>
<u>FUND BALANCE - BEGINNING</u>			<u>3,399,169</u>	
<u>FUND BALANCE - ENDING</u>			<u>\$3,659,385</u>	

See accompanying notes to the basic financial statements.

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
NOTES THE TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

1) REPORTING ENTITY

The accompanying basic financial statements have been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include oversight responsibility, scope of public service, and special financing arrangements. Based on application of the criteria, the entity does not contain component units.

The District receives funding from local, state, federal and interdistrict government sources and must comply with the accompanying requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" body that has separate legal standing and is fiscally independent of the governmental entities. As such, the Board of Education has decision-making authority, the authority to levy taxes, and determine its budget, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Imlay City Community Schools conform to generally accepted accounting principles as applicable to school districts. The following is a summary of the significant accounting policies:

In June 1999 the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. Certain of the significant changes in the Statement include the following:

A Management Discussion and Analysis (MD&A) section to provide an analysis of the District’s overall financial position and results of operations.

Financial statements prepared with full accrual accounting for all of the District’s activities.

- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements and notes to the financial statements.

A) BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS

The District’s basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District’s major funds). The government-wide financial statements categorize primary activities as either governmental or business type. All of the District’s activities are classified as governmental activities. Fiduciary funds are not included in the government-wide financial statements.

In the government-wide Statement of Net Assets, the governmental activities column is presented on a consolidated basis and is reported on a full-accrual economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District’s net assets are reported in three parts: invested in capital assets net of related debt; restricted net assets; and unrestricted net assets. The District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the District’s functions. General government revenues also support the functions. The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary grants. The net costs by function are normally covered by general revenue (property taxes, state and federal sources, interest income, etc.).

The District does not allocate indirect costs. Inter-fund transactions have been eliminated in the government-wide financial statements.

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
NOTES THE TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B) BASIC FINANCIAL STATEMENTS - FUND FINANCIAL STATEMENTS

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the general-purpose financial statements in this report, into five generic fund types in two broad fund categories as follows:

Governmental Funds

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use, and balances of the District's expendable financial resources and the related current liabilities are accounted for through governmental funds.

General Fund

The General Fund is used to record the general operations of the District pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

Special Revenue Funds

Special Revenue Funds are used to segregate the transactions of particular activities from regular revenue and expenditure accounts. The District maintains full control of these funds. The District maintains two school service funds: Food Service and Athletic Funds.

Debt Retirement Funds

The Debt Retirement Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Fund

The Capital Projects Fund is used to account for the acquisition and construction of major facilities by the School District.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The District's fiduciary funds consist of agency funds which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are used to account for amount held for student and employee groups.

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Accrual

Governmental activity in the government-wide financial statements is presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
NOTES THE TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS (Continued)

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within 60 days of year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt is recognized when due.

Those revenues susceptible to accrual are property taxes, state aid, interest revenue, grants and charges for services. Other revenue is recorded when received.

The District reports deferred revenue on its governmental funds balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the District receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

D) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 40 *Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the district intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury, certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by no less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

E) PREPAID ASSETS

Payments made to vendors for services that will benefit periods beyond June 30, 2008, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

F) INVENTORY

On government-wide financial statements are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. Inventory in governmental funds consists of expendable supplies held for consumption.

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
NOTES THE TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G) CAPITAL ASSETS

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) using a \$5,000 capitalization threshold and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of one hundred dollars. The School District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and Improvements	20 – 50 years
Furniture and Equipment	5 – 10 years
Vehicles and Buses	8 years

H) INTERFUND BALANCES

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental activities columns of the statement of net assets.

I) COMPENSATED ABSENCES

The School District reports compensated absences in accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences.” Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District’s past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts, if any, are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

J) ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
NOTES THE TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J) ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS (Continued)

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

K) FUND BALANCE RESERVES

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for inventories.

L) NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

M) ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

N) BUDGETARY DATA

The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the Board of Education at the function level. Any budgetary modifications may only be made by resolution of the Board of Education.

The School District follows these procedures in establishing the budgets for the individual funds as reflected in the financial statements.

- 1) Prior to June 30, the Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1.
- 2) A public hearing is conducted during June to obtain taxpayer comments.
- 3) Prior to June 30, the budget is legally enacted through passage of a resolution.
- 4) For purposes of meeting emergency needs of the School District, transfer of appropriations may be made by the authorization of the Superintendent. Such transfers of appropriations must be approved by the Board of Education at its next regularly scheduled meeting.

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
NOTES THE TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N) BUDGETARY DATA (Continued)

- 5) The School Superintendent is charged with general supervision of the budget and shall hold the department heads responsible for performance of their responsibilities.
- 6) During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.

3) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – BUDGET VIOLATIONS

1968 PA2 provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the School District's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the School District for these budgetary funds were adopted to the functional level.

The District did not adopt a budget for the 2003 Debt Retirement Fund.

4) DEPOSITS AND INVESTMENTS

As of June 30, 2008, the District had the following investments.

<u>Investment Type</u>	<u>Fair value</u>	<u>Weighted Average Maturity (Years)</u>	<u>Standard & Poor's Rating</u>	<u>Portfolio %</u>
MILAF External Investment Pool - MICMS	\$ 2,514,710	0.0027	AAAm	100.00%
Portfolio weighted average maturity		<u>0.0027</u>		

1 day maturity equals 0.0027, one year equals 1.00.

Interest rate risk. In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2008, the District's investment in the investment pool was rated AAA by Standards & Poor's and AAA by Moody's Investors Service.

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. More than 5% of the District's investments are in pooled investment accounts which represents 100% of the District's total investments.

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
NOTES THE TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

4) DEPOSITS AND INVESTMENTS (Continued)

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2008, \$1,131,315 of the District's bank balance of \$2,543,511 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

Foreign currency risk. The District is not authorized to invest in investments which have this type of risk.

The above amounts as previously report in Note 4:

Deposits – Including Fiduciary Funds of \$152,320	\$ 2,287,457
Investments	<u>2,514,710</u>
<u>TOTAL</u>	<u>\$ 4,802,167</u>

The above amounts are reported in the financial statements as follows:

Cash – Agency Fund	\$ 152,320
Cash – District Wide	2,135,137
Investments – District Wide	<u>2,514,710</u>
<u>TOTAL</u>	<u>\$ 4,802,167</u>

5) PROPERTY TAXES

The School District levies its property taxes on July 1 and various municipalities collect its property taxes and remit them to the District through February. The delinquent real property taxes of the District are purchased by the County, and delinquent personal property taxes continue to be collected by the municipalities and recorded as revenue as they are collected. The county sells tax notes, the proceeds of which have been used to pay the District for these delinquent real property taxes. These delinquent real property taxes have been recorded as revenue in the current year.

6) RECEIVABLES

Receivables at June 30, 2008, consist of taxes, accounts (fees), intergovernmental grants and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables (due from other governmental units) follows:

<u>GOVERNMENTAL ACTIVITIES</u>	<u>AMOUNT</u>
State Aid	\$ 2,850,604
Federal Grants	91,372
Other Grant Programs & Fees	<u>33,897</u>
<u>TOTAL GOVERNMENTAL ACTIVITIES</u>	<u>\$ 2,975,873</u>

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
NOTES THE TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

7) UNEMPLOYMENT COMPENSATION

The District is subject to the Michigan Employment Security Act and has elected the reimbursement method of financing. Under this method, the District must reimburse the Employment Commission for all benefits charged against the District for the year. As of June 30, 2008, the School District had \$8,048 in estimated claims in conjunction with the program.

8) SHORT-TERM DEBT

The District has various options for short-term financing including tax anticipation notes, state aid anticipation notes and lines of credit. The District entered into no short-term financing arrangements during the fiscal year ended June 30, 2008.

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
State Aid Note	\$3,200,000	\$0	\$3,200,000	\$0

9) CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
GOVERNMENTAL ACTIVITIES				
Buildings and Improvements	\$37,299,473	\$556,795	\$0	\$37,856,268
Land	1,122,900	0	0	1,122,900
Land Improvements	652,763	105,588	0	758,351
Equipment and Furniture	1,499,838	8,200	0	1,508,038
Vehicles	1,382,678	350,740	245,068	1,488,350
Totals at Historical Cost	\$41,957,652	\$1,021,323	\$245,068	\$42,733,907
Less: Accumulated Depreciation				
Buildings and Improvements	(10,471,541)	(727,788)	0	(11,199,329)
Equipment and Furniture	(664,006)	(96,856)	0	(760,862)
Land Improvements	(30,195)	(32,638)	0	(62,833)
Vehicles	(1,050,232)	(69,325)	(240,693)	(878,864)
Total Accumulated Depreciation	(\$12,215,974)	(\$926,607)	(\$240,693)	(\$12,901,888)
GOVERNMENTAL ACTIVITIES				
<u>CAPITAL ASSETS - NET</u>	<u>\$29,741,678</u>	<u>\$94,716</u>	<u>\$4,375</u>	<u>\$29,832,019</u>

Depreciation expense, when appropriate, was allocated to governmental functions. Depreciation expense that was not allocated appears on the statement of activities as "unallocated". Depreciation was recorded on the statement of activities as follows:

Instruction	\$ 71,859
Support Services	73,782
Food Service	20,824
Athletics	52,473
Unallocated	707,669
<u>TOTAL DEPRECIATION EXPENSE</u>	<u>\$ 926,607</u>

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
NOTES THE TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

9) CAPITAL ASSETS (Continued)

Investment in capital assets – net of related debt consists of the following:

Capital Assets	\$ 42,733,907
Less: Accumulated Depreciation	(12,901,888)
Less: Long-Term Liabilities	(30,244,662)
Compensated Absences	<u>453,401</u>
 <u>TOTAL</u>	 <u>\$ 40,758</u>

10) SELF INSURANCE POOL

The School District participates in a public entity risk pool (self-insurance pool) for its workers' compensation, property and casualty, general liability, and boiler insurance. The pool is through the MASB/SET/SEG and is administered by Corporate Services. The pool provides for reinsurance by various insurance companies at various levels, depending on the coverage. Should the pool experience significant losses in the aggregate, the School District may be required to pay additional monies to the pool. At present, the MASB/SET/SEG has not required additional funds, but rather has issued refunds based on experience gains over experience losses over the last few years. Premiums for the year ended June 30, 2008 were \$114,154 and the School District received a dividend refund of \$17,861.

11) LONG-TERM LIABILITIES

A) BOND ISSUES

1998 Durant Resolution Package Bonds

Imlay City Community Schools issued Durant Resolution Bonds on November 24, 1998 in the amount of \$325,344 at the interest rate of 4.7613%. The bonds are a legal obligation of the school district but the annual State of Michigan appropriation is the only revenue source for making the annual debt service payments on the bonds. If the legislature fails to appropriate the bonds, the district is under no obligation for payment. The balance at June 30, 2008 was \$192,103.

1999 Energy Conservation Improvements Bonds

Imlay City Community Schools issued Local Government Loan Program Revenue Bonds, Series 1999C for Energy Conservation Improvements on June 24, 1999, in the amount of \$985,000. The bonds mature serially through May 1, 2009 at varying principal amounts. Interest rates on the bonds range from 4.25% to 4.75% per annum. The balance of the bonds at June 30, 2008 was \$120,000.

2003 General Obligation Building & Site Bonds

Imlay City Community Schools has issued General Obligation Bonds dated September 1, 2003, in the amount of \$7,635,000, bearing interest at rates varying from 2.00% to 5.00% per annum. The balance of the bonds as of June 30, 2008 was \$1,305,000.

2006 Refunding Bonds

On March 8, 2006, Imlay City Community Schools issued \$22,125,000 in General Obligation – Unlimited Tax Bonds with an average interest rates ranging from of 3.75% to 4.75%. The District issued the bonds to advance refund \$15,755,000 of the outstanding 1994 Bond Issue with an interest rate of 4.90% to 5.40% and \$7,370,000 of the outstanding 1997 Bond Issue with an interest rate of 5.0% to 5.7%. The net proceeds were deposited with an escrow agent and used to purchase U.S. Government Securities. These securities will provide for all of the future debt service on the 1994 and 1997 Bonds. As a result the 1994 and 1997 Bond Issues are considered defeased and the District has removed the liability from its accounts. The balance of the bonds at June 30, 2008 was \$20,690,000.

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
NOTES THE TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

11) GENERAL LONG-TERM DEBT (Continued)

A) BOND ISSUES (Continued)

2007 Refunding Bonds

On March 9, 2007, Imlay City Community Schools issued \$5,835,000 in General Obligation – Unlimited Tax Bonds with an average interest rates ranging from of 4% to 5%. The District issued the bonds to advance refund \$5,600,000 of the outstanding 1993 Bond Issue with an interest rate of 2% to 5%. The net proceeds were deposited with an escrow agent and used to purchase U.S. Government Securities. These securities will provide for all of the future debt service on the 2003 Bonds. As a result the 2003 Bond Issues are considered defeased and the District has removed the liability from its accounts. The advanced refunding was done in order to reduce debt payments. The balance of the bonds at June 30, 2008 was \$5,825,000.

B) INSTALLMENT CONTRACTS

The District is indebted on a land contract payable to National City Bank for the purchase of vacant land. The land contract calls for an annual payment of \$79,834, including interest at 3.94% per annum. The balance at June 30, 2008 was \$479,235.

The District is indebted on a installment contract to Tri County Bank for the purchase of five 71 passenger school buses. The installment contract calls for 5 annual payments of \$78,566, including interest at 3.90% per annum and matures in September, 2012. The balance at June 30, 2008 was \$350,740.

C) CHANGES IN GENERAL LONG-TERM DEBT

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008	Amount Due in One Year
Governmental Activities:					
Bond Issues	\$29,177,103	\$0	\$1,045,000	\$28,132,103	\$1,168,106
Unamortized Premium	898,281	0	69,098	829,183	69,098
Installment Contracts	537,537	350,740	58,302	829,975	125,576
Compensated Absences	466,563	0	13,162	453,401	0
Total Governmental Activities	\$31,079,484	\$350,740	\$1,185,562	\$30,244,662	\$1,362,780

D) PRINCIPAL REPAYMENT SCHEDULES BY FISCAL YEARS ARE AS FOLLOWS:

	Bonds Payable	Unamortized Premium	Installment Contracts	Interest	Total
June 30, 2009	\$1,168,106	\$69,098	\$125,576	\$1,299,499	\$2,662,279
June 30, 2010	1,251,503	69,098	130,530	1,288,690	2,739,821
June 30, 2011	1,274,871	69,098	135,681	1,202,165	2,681,815
June 30, 2012	1,400,816	69,098	141,003	1,149,169	2,760,086
June 30, 2013	1,546,807	69,098	146,599	1,076,179	2,838,683
June 30, 2014-2018	9,935,000	345,490	150,586	4,063,617	14,494,693
June 30, 2019-2023	8,000,000	138,203	0	1,528,698	9,666,901
June 30, 2024-2028	1,805,000		0	589,086	2,394,086
June 30, 2029-2032	1,750,000	0	0	185,196	1,935,196
TOTAL	\$28,132,103	\$829,183	\$829,975	\$12,382,299	\$42,173,560

The payment dates of compensated absences is undeterminable. The interest expenditures on long-term obligations for the year were \$1,317,149.

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
NOTES THE TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

12) **OPERATING LEASES**

The District currently leases copier machines and a postage machine. The District pays a monthly rate plus a rate per copy. The minimum monthly payments and maturity dates are as follows:

	Monthly Payment	Maturity Date
Copier – Borland Elementary	\$615	May 27, 2013
Copier – Weston Elementary	615	May 27, 2013
Copier – High School	615	May 27, 2013
Copier – Middle School	615	May 27, 2013
Copier – Administration	328	May 27, 2013
Copier – Venture	350	May 27, 2013
Copier – High School Counsel	232	May 27, 2013
Copier – Athletics	232	May 27, 2013
Postage Machine	824	October, 2011
Folder/Stuffer	307	February, 2012

Future maturities are as follows:

2009	\$ 56,770
2010	56,770
2011	46,882
2012	43,198
2013	16,072
<u>TOTAL</u>	<u>\$ 219,692</u>

13) **INTERFUND ACTIVITY**

Interfund balances at June 30, 2008 consisted of the following:

DUE TO	DUE FROM		
	General Fund	Debt Retirement	Total
General Fund	\$0	\$152,298	\$152,298
Food Service	131,060	0	131,060
Athletics	123,562	0	123,562
<u>TOTAL</u>	<u>\$254,622</u>	<u>\$152,298</u>	<u>\$406,920</u>

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
NOTES THE TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

14) INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2008, consisted of the following:

TRANSFERS TO	TRANSFERS FROM
	General Fund
Athletics	\$375,834
Debt Retirement	126,048
<u>TOTAL</u>	<u>\$501,882</u>

These transfers were made to subsidize the cost of services for athletics and debt payments.

15) DEFINED BENEFIT PENSION PLAN

Plan Description

The School District participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The MPERS provides retirement, survivor and disability benefits to plan members and their beneficiaries. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for the MPERS. That report may be obtained by writing to the MPERS at 7150 Harris Drive, PO Box 30673, Lansing, MI 48909-8103.

Funding Policy

Employer contributions to the MPERS result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The pension benefit rate totals 17.74 percent for the period July 1, 2007 through September 30, 2007 and 16.72 percent for the period October 1, 2007 through June 30, 2008 of the covered payroll to the plan. Basic plan members make no contributions, but contribute to a member investment plan (MIP) at rates ranging from 3 percent to 4.3 percent of gross wages. The School District's contributions to the MPERS pension plan for the years ended June 30, 2008, 2007 and 2006 were \$1,824,058, \$1,847,103 and \$1,811,507, respectively.

Postemployment Benefits

Under the MPERS Act, all retirees participating in the MPERS pension plan have the option of continuing health, dental and vision coverage. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverages. Required contributions for postemployment health care benefits are included as part of the School District's total contribution to the MPERS pension plan discussed above.

16) RISK MANAGEMENT

The District is exposed to various risks of loss in conducting its operations, from property and casualty theft, damage to various tort and liability claims and workman's compensation claims. The District limits its exposure to such claims through its participation in and payments of premiums to SET-SEG, Inc. Insurance Trust. This pool maintains a loss fund and is also required by the terms of the participation agreement to obtain insurance and reinsurance as necessary.

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
NOTES THE TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

16) RISK MANAGEMENT (Continued)

The terms of the participation agreement with the pool indicate that, should losses of the pool incurred in a given coverage period exceed the loss fund and the aggregate excess reinsurance, the fund may access its member districts on a pro-rata basis to cover excess losses. In past years the loss fund has exceeded the amount necessary to maintain prudent loss reserves, resulting in annual premium refunds to member districts. The District's management believes that participation in this pool provides sufficient coverage to protect the District from any significant adverse financial impact.

17) CONTINGENCIES AND COMMITMENTS

The District participates in a number of federally assisted grant programs, principally of which are the Nutrition Cluster grants. These programs are subject to program compliance audits. The audit of these programs for and including the year ended June 30, 2008, have been conducted and has been reported in this audit report. However, the compliance audit reports have not yet been accepted by the grantors. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time; although the District expects such amounts, if any, to be immaterial.

OTHER SUPPLEMENTAL
INFORMATION

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
COMBINING BALANCE SHEET -
OTHER GOVERNMENTAL FUNDS
AS OF JUNE 30, 2008

	School Service Funds	Debt Retirement Funds	Total Other Governmental Funds
<u>ASSETS</u>			
Cash and Cash Equivalents	\$674,929	\$0	\$674,929
Accounts Receivable	4,273	0	4,273
Due from Other Governmental Units	6,126	0	6,126
Inventory	6,974	0	6,974
Prepaid Expenses	13,207	0	13,207
<u>TOTAL ASSETS</u>	<u>\$705,509</u>	<u>\$0</u>	<u>\$705,509</u>
<u>LIABILITIES</u>			
Accounts Payable	\$14,231	\$0	\$14,231
Due to Other Governmental Units	221	0	221
Due to Other Funds	254,622	0	254,622
Salaries Payable	3,306	0	3,306
Accrued Expenses	407	0	407
Deferred Revenue	11,978	0	11,978
Total Liabilities	\$284,765	\$0	\$284,765
<u>FUND BALANCES</u>			
Unreserved:			
Undesignated, Reported In:			
Special Revenue Funds	420,744	0	420,744
Total Fund Balances	\$420,744	\$0	\$420,744
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$705,509</u>	<u>\$0</u>	<u>\$705,509</u>

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	School Service Funds	Debt Retirement Funds	Total Other Governmental Funds
<u>REVENUES</u>			
Local Sources	\$548,184	\$2,807	\$550,991
State Sources	38,747	0	38,747
Federal Sources	533,173	0	533,173
Total Revenues	<u>\$1,120,104</u>	<u>\$2,807</u>	<u>\$1,122,911</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers from Other Funds	375,834	2,126,330	2,502,164
Total Revenues & Other Financing Sources	<u>\$1,495,938</u>	<u>\$2,129,137</u>	<u>\$3,625,075</u>
<u>EXPENDITURES</u>			
School Service	1,419,207	0	1,419,207
Debt Retirement	0	2,129,137	2,129,137
Total Expenditures	<u>\$1,419,207</u>	<u>\$2,129,137</u>	<u>\$3,548,344</u>
Net Change in Fund Balance	\$76,731	\$0	\$76,731
<u>NET ASSETS - BEGINNING</u>	<u>344,013</u>	<u>0</u>	<u>344,013</u>
<u>NET ASSETS - ENDING</u>	<u><u>\$420,744</u></u>	<u><u>\$0</u></u>	<u><u>\$420,744</u></u>

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
COMBINING BALANCE SHEET
SCHOOL SERVICE FUNDS
AS OF JUNE 30, 2008

	Food Service	Athletic Activities	Total
<u>ASSETS</u>			
Cash and Cash Equivalents	\$541,906	\$133,023	\$674,929
Accounts Receivable	4,273	0	4,273
Due from Other Governmental Units	6,126	0	6,126
Inventory	6,974	0	6,974
Prepaid Expenses	1,821	11,386	13,207
<u>TOTAL ASSETS</u>	<u>\$561,100</u>	<u>\$144,409</u>	<u>\$705,509</u>
<u>LIABILITIES</u>			
Accounts Payable	\$1,925	\$12,306	\$14,231
Due to Other Governmental Units	46	175	221
Due to Other Funds	131,060	123,562	254,622
Salaries Payable	1,913	1,393	3,306
Accrued Expenses	147	260	407
Deferred Revenue	5,265	6,713	11,978
Total Liabilities	\$140,356	\$144,409	\$284,765
<u>FUND EQUITY</u>			
Fund Balance - Reserved for Inventory	6,974	0	6,974
Fund Balance - Unreserved and Undesignated	413,770	0	413,770
Total Fund Equity	\$420,744	\$0	\$420,744
<u>TOTAL LIABILITIES AND FUND EQUITY</u>	<u>\$561,100</u>	<u>\$144,409</u>	<u>\$705,509</u>

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
SCHOOL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	Food Service	Athletic Activities	Total
<u>REVENUES</u>			
<u>Local Sources</u>			
Cafeteria Sales	\$337,696	\$0	\$337,696
Athletic Activities	0	143,710	143,710
Earnings on Investments	7,262	4,801	12,063
Other Local Revenue	13,755	40,960	54,715
Total Local Sources	\$358,713	\$189,471	\$548,184
<u>State Sources</u>			
State Reimbursements	38,747	0	38,747
<u>Federal Sources</u>			
Federal Reimbursements	533,173	0	533,173
Total Revenues	\$930,633	\$189,471	\$1,120,104
<u>OTHER FINANCING SOURCES</u>			
Transfers from General Fund	0	375,834	375,834
Total Revenues and Other Financing Sources	\$930,633	\$565,305	\$1,495,938
<u>EXPENDITURES</u>			
Salaries - Professional	39,869	0	39,869
Salaries - Non-Professional	224,288	264,263	488,551
Insurances	41,128	8,558	49,686
Fica, Retirement, Etc.	65,229	65,479	130,708
Other Benefits	2,850	1,800	4,650
Purchased Services	18,690	99,155	117,845
Supplies and Materials	382,061	15,747	397,808
Capital Outlay	11,043	99,342	110,385
Other	68,744	10,961	79,705
Total Expenditures	\$853,902	\$565,305	\$1,419,207
<u>EXCESS REVENUES AND OTHER FINANCING</u> <u>SOURCES OVER (UNDER) EXPENDITURES</u>	\$76,731	\$0	\$76,731
<u>FUND BALANCE - BEGINNING OF YEAR</u>	\$344,013	\$0	\$344,013
<u>FUND BALANCE - END OF YEAR</u>	\$420,744	\$0	\$420,744

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
COMBINING BALANCE SHEET
DEBT RETIREMENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	1999 Energy Bonds	2006 Debt	2007 Debt	Total
<u>ASSETS</u>				
Cash and Cash Equivalents	\$0	\$0	\$0	\$0
<u>TOTAL ASSETS</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>FUND EQUITY</u>				
Reserved - Debt Retirement	\$0	\$0	\$0	\$0

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
DEBT RETIREMENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	1999 Energy Bonds	2006 Debt	2007 Debt	Total
<u>REVENUES</u>				
<u>Local Sources</u>				
Other Local Revenue	\$0	\$0	\$2,807	\$2,807
<u>OTHER FINANCING SOURCES</u>				
Transfer from Other Debt Funds	126,048	1,756,413	243,869	2,126,330
Total Revenues and Other Financing Sources	<u>\$126,048</u>	<u>\$1,756,413</u>	<u>\$246,676</u>	<u>\$2,129,137</u>
<u>EXPENDITURES</u>				
Redemption of Bond Principal	115,000	760,000	10,000	885,000
Interest on Bonded Debt	11,048	996,188	236,126	1,243,362
Dues and Fees	0	225	550	775
Total Expenditures	<u>\$126,048</u>	<u>\$1,756,413</u>	<u>\$246,676</u>	<u>\$2,129,137</u>
<u>EXCESS REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>FUND BALANCE - BEGINNING OF YEAR</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>FUND BALANCE - END OF YEAR</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

INDIVIDUAL FUND SCHEDULES OF
REVENUES, EXPENDITURES AND
OTHER FINANCING USES

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES -
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008

	BUDGET	ACTUAL	VARIANCE
<u>REVENUES FROM</u>			
<u>Local Sources</u>			
Property Tax Levy	\$2,289,037	\$2,289,641	\$604
Earnings on Investments and Deposits	129,800	146,762	16,962
Preschool	21,300	21,334	34
Child Care & Latchkey	36,400	39,597	3,197
Transportation	20,000	31,878	11,878
Rentals	40,000	41,189	1,189
Medicaid Reimbursement	110,000	113,322	3,322
Other Local Revenues	70,773	67,540	(3,233)
Total Revenues from Local Sources	\$2,717,310	\$2,751,263	\$33,953
<u>State Sources</u>			
Unrestricted State Aid Sec. 20	14,483,996	14,486,481	2,485
Special Education	604,469	649,655	45,186
Durant	32,534	32,534	0
Adult Education	10,233	10,681	448
Preschool	108,800	108,800	0
Bilingual Program	13,896	12,610	(1,286)
Other State Grants	(7,792)	(7,792)	0
At Risk Sec. 31a	414,363	414,354	(9)
Total Revenues from State Sources	\$15,660,499	\$15,707,323	\$46,824
<u>Federal Sources</u>			
Title I	260,231	260,231	0
Migrant Programs	220,177	220,177	0
Title V	492	492	0
Technology Literacy Grant	0	3,042	3,042
Improving Teacher Quality	88,630	70,648	(17,982)
English Language Acquisition Grants	61,814	56,852	(4,962)
IDEA Special Education	163,278	163,277	(1)
Preschool	15,523	15,523	0
Medicaid Outreach Administrative Claims	14,440	16,663	2,223
Total Revenues from Federal Sources	\$824,585	\$806,905	(\$17,680)
Total Revenues	\$19,202,394	\$19,265,491	\$63,097

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES -
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<u>OTHER FINANCING SOURCES</u>			
Transfers from Other Districts	\$19,000	\$21,026	\$2,026
Other Transfers	80,182	80,701	519
Loan Proceeds	350,740	350,740	0
Total Other Financing Sources	<u>\$449,922</u>	<u>\$452,467</u>	<u>\$2,545</u>
 <u>TOTAL REVENUES AND OTHER FINANCING SOURCES</u>	 <u>\$19,652,316</u>	 <u>\$19,717,958</u>	 <u>\$65,642</u>

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008

<u>INSTRUCTION</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<u>BASIC PROGRAMS</u>			
<u>Weston - Elementary</u>			
Salaries - Professional	\$1,300,000	\$1,304,370	(\$4,370)
Salaries - Non-Professional	19,700	22,130	(2,430)
Insurances	276,728	271,877	4,851
Fica, Retirement, Etc.	324,877	324,246	631
Other Benefits	6,265	6,265	0
Purchased Services	39,998	41,353	(1,355)
Supplies and Materials	55,925	36,481	19,444
Capital Outlay	6,284	1,982	4,302
Other	48	0	48
Total Weston - Elementary	\$2,029,825	\$2,008,704	\$21,121
<u>Borland - Elementary</u>			
Salaries - Professional	1,432,507	1,426,110	6,397
Salaries - Non-Professional	14,700	12,837	1,863
Insurances	274,121	271,782	2,339
Fica, Retirement, Etc.	354,890	351,209	3,681
Other Benefits	3,080	3,230	(150)
Purchased Services	32,592	26,546	6,046
Supplies and Materials	38,898	26,219	12,679
Capital Outlay	8,284	6,837	1,447
Other	315	228	87
Total Borland - Elementary	\$2,159,387	\$2,124,998	\$34,389
<u>Middle School</u>			
Salaries - Professional	1,195,720	1,208,126	(12,406)
Salaries - Non-Professional	17,100	16,087	1,013
Insurances	272,387	267,381	5,006
Fica, Retirement, Etc.	301,301	298,702	2,599
Other Benefits	459	459	0
Purchased Services	37,924	37,896	28
Supplies and Materials	30,963	26,495	4,468
Capital Outlay	35,063	32,162	2,901
Other	630	100	530
Total Middle School	\$1,891,547	\$1,887,408	\$4,139
<u>High School</u>			
Salaries - Professional	1,703,706	1,676,660	27,046
Salaries - Non-Professional	34,450	33,279	1,171
Insurances	351,003	348,570	2,433
Fica, Retirement, Etc.	430,262	418,012	12,250
Other Benefits	2,145	2,144	1
Purchased Services	48,244	42,807	5,437
Supplies and Materials	91,800	80,171	11,629
Capital Outlay	9,600	8,628	972
Other	2,880	2,439	441
Total High School	\$2,674,090	\$2,612,710	\$61,380

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN

GENERAL FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008

INSTRUCTION (Continued)	BUDGET	ACTUAL	VARIANCE
<u>Preschool - Borland Elementary</u>			
Salaries - Professional	\$16,445	\$13,492	\$2,953
Salaries - Non-Professional	8,900	8,530	370
Fica, Retirement, Etc.	6,310	5,376	934
Purchased Services	40	40	0
Supplies and Materials	1,040	428	612
Other	135	0	135
Total Preschool - Borland Elementary	\$32,870	\$27,866	\$5,004
<u>Adult Education</u>			
Salaries - Professional	19,095	19,095	0
Fica, Retirement, Etc.	4,679	4,672	7
Other	10,654	16,131	(5,477)
Total Adult Education	\$34,428	\$39,898	(\$5,470)
<u>Total Basic Programs</u>	\$8,822,147	\$8,701,584	\$120,563
<u>ADDED NEEDS</u>			
<u>Special Education</u>			
Salaries - Professional	490,853	490,526	327
Salaries - Non-Professional	105,260	100,789	4,471
Insurances	143,467	139,715	3,752
Fica, Retirement, Etc.	145,169	145,207	(38)
Other Benefits	3,600	3,600	0
Purchased Services	24,959	21,578	3,381
Supplies and Materials	3,650	3,626	24
Capital Outlay	750	1,719	(969)
Other	58,032	57,291	741
Total Special Education	\$975,740	\$964,051	\$11,689
<u>Compensatory Education</u>			
Salaries - Professional	347,884	345,389	2,495
Salaries - Non-Professional	280,006	270,155	9,851
Insurances	85,949	82,472	3,477
Fica, Retirement, Etc.	154,222	151,318	2,904
Other Benefits	3,600	3,600	0
Purchased Services	20,586	13,775	6,811
Supplies and Materials	52,328	46,457	5,871
Capital Outlay	7,800	4,127	3,673
Other	450	506	(56)
Total Compensatory Education	\$952,825	\$917,799	\$35,026
<u>Total Added Needs</u>	\$1,928,565	\$1,881,850	\$46,715
<u>Total Instruction</u>	\$10,750,712	\$10,583,434	\$167,278

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN

GENERAL FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008

	BUDGET	ACTUAL	VARIANCE
<u>SUPPORT SERVICES</u>			
<u>STUDENT SERVICES</u>			
Salaries - Professional	\$662,641	\$662,535	\$106
Salaries - Non-Professional	120,350	104,902	15,448
Insurances	130,142	125,925	4,217
Fica, Retirement, Etc.	192,081	188,386	3,695
Other Benefits	6,370	6,480	(110)
Purchased Services	11,338	14,898	(3,560)
Supplies and Materials	9,411	6,572	2,839
Capital Outlay	6,569	6,479	90
Other	12,244	5,101	7,143
Total Student Services	\$1,151,146	\$1,121,278	\$29,868
<u>INSTRUCTIONAL STAFF</u>			
Salaries - Professional	182,743	187,019	(4,276)
Salaries - Non-Professional	98,708	97,530	1,178
Insurances	65,652	60,753	4,899
Fica, Retirement, Etc.	67,185	66,311	874
Other Benefits	4,000	3,780	220
Purchased Services	121,602	106,625	14,977
Supplies and Materials	35,608	19,293	16,315
Capital Outlay	5,007	4,605	402
Other	139,268	132,739	6,529
Total Instructional Staff	\$719,773	\$678,655	\$41,118
<u>GENERAL ADMINISTRATION</u>			
Salaries - Professional	118,500	118,500	0
Salaries - Non-Professional	48,815	56,515	(7,700)
Insurances	29,930	28,845	1,085
Fica, Retirement, Etc.	41,078	40,463	615
Other Benefits	6,198	6,198	0
Purchased Services	77,975	69,627	8,348
Supplies and Materials	7,588	2,356	5,232
Capital Outlay	3,137	3,137	0
Other	13,500	12,851	649
Total General Administration	\$346,721	\$338,492	\$8,229

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN

GENERAL FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008

<u>SUPPORT SERVICES (Continued)</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<u>SCHOOL ADMINISTRATION</u>			
Salaries - Professional	\$610,501	\$601,517	\$8,984
Salaries - Non-Professional	250,530	255,498	(4,968)
Insurances	194,728	191,408	3,320
Fica, Retirement, Etc.	210,309	206,722	3,587
Other Benefits	24,600	8,990	15,610
Purchased Services	108,806	101,181	7,625
Supplies and Materials	36,553	19,225	17,328
Capital Outlay	18,494	16,682	1,812
Other	18,351	12,468	5,883
Total School Administration	\$1,472,872	\$1,413,691	\$59,181
<u>BUSINESS OFFICE</u>			
Salaries - Professional	52,606	50,164	2,442
Salaries - Non-Professional	375	1,460	(1,085)
Insurances	16,561	15,883	678
Fica, Retirement, Etc.	50,392	46,791	3,601
Other Benefits	2,500	0	2,500
Purchased Services	6,190	6,532	(342)
Supplies and Materials	3,690	3,102	588
Capital Outlay	4,931	3,431	1,500
Other	112,278	107,066	5,212
Total Business Office	\$249,523	\$234,429	\$15,094
<u>OPERATION AND MAINTENANCE OF PLANT</u>			
Salaries - Professional	25,700	25,654	46
Salaries - Non-Professional	582,419	591,477	(9,058)
Insurances	165,347	159,920	5,427
Fica, Retirement, Etc.	149,274	159,052	(9,778)
Other Benefits	9,150	9,150	0
Purchased Services	301,706	287,661	14,045
Supplies and Materials	753,180	766,965	(13,785)
Capital Outlay	657,893	637,095	20,798
Other	1,620	580	1,040
Total Operation and Maintenance of Plant	\$2,646,289	\$2,637,554	\$8,735

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008

<u>SUPPORT SERVICES (Continued)</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<u>TRANSPORTATION</u>			
Salaries - Professional	\$31,851	\$30,779	\$1,072
Salaries - Non-Professional	530,938	501,935	29,003
Insurances	245,807	242,694	3,113
Fica, Retirement, Etc.	140,079	130,108	9,971
Other Benefits	5,700	6,600	(900)
Purchased Services	37,229	29,043	8,186
Supplies and Materials	242,792	249,115	(6,323)
Capital Outlay	358,651	358,654	(3)
Other	8,470	8,038	432
Total Transportation	\$1,601,517	\$1,556,966	\$44,551
<u>OTHER SUPPORT SERVICES</u>			
Salaries - Professional	20,152	20,151	1
Salaries - Non-Professional	87,900	88,896	(996)
Insurances	15,059	13,642	1,417
Fica, Retirement, Etc.	26,336	26,776	(440)
Other Benefits	7,000	0	7,000
Purchased Services	49,225	36,511	12,714
Supplies and Materials	5,800	2,400	3,400
Capital Outlay	12,917	12,916	1
Other	53,000	52,104	896
Total Other Support Services	\$277,389	\$253,396	\$23,993
<u>Total Support Services</u>	<u>\$8,465,230</u>	<u>\$8,234,461</u>	<u>\$230,769</u>
<u>COMMUNITY SERVICES</u>			
Salaries - Non-Professional	27,700	26,057	1,643
Insurances	1,726	1,729	(3)
Fica, Retirement, Etc.	6,751	5,901	850
Purchased Services	10,061	8,361	1,700
Supplies and Materials	1,411	393	1,018
Other	4,719	2,984	1,735
Total Community Services	\$52,368	\$45,425	\$6,943
<u>TOTAL EXPENDITURES</u>	<u>\$19,268,310</u>	<u>\$18,863,320</u>	<u>\$404,990</u>
<u>OTHER FINANCING USES</u>			
Other Transfers	21,833	12,706	9,127
Loan Payments	79,834	79,834	0
Transfers to Other Funds	523,375	501,882	21,493
<u>TOTAL OTHER FINANCING USES</u>	<u>\$625,042</u>	<u>\$594,422</u>	<u>\$30,620</u>
<u>TOTAL EXPENDITURES AND OTHER FINANCING USES</u>	<u>\$19,893,352</u>	<u>\$19,457,742</u>	<u>\$435,610</u>

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
TRUST AND AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS - STUDENT ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

Student Activity	Due to (From) Student Groups July 1, 2007	Receipts	Disbursements	Due to (From) Student Groups June 30, 2008
Art	\$1,293	\$1,546	\$1,181	\$1,658
Athletic Administration	6,014	2,590	7,859	745
Athletic Pop Fund	4,943	7,498	9,006	3,435
Baseball Field	276	407	400	283
Beverage Consortium	41,934	7,576	40,345	9,165
Borland Art	807	21	382	446
Borland BLT	1,407	67	889	585
Borland General	22,650	19,998	18,848	23,800
Boys Golf	160	4	0	164
Boys Soccer	0	462	462	0
Bus Garage/Transportation	126	1,718	1,175	669
Chester Marcol Scholarship	528	14	0	542
Class of 2007	939	0	939	0
Class of 2008	2,350	2,119	4,143	326
Class of 2009	689	18,399	17,485	1,603
Class of 2010	485	1,105	799	791
Class of 2011	458	2,572	1,151	1,879
Class of 2012	0	839	580	259
Counseling Scholarships	3,208	5,746	4,800	4,154
Devin Faden Memorial	4,530	121	0	4,651
Drama Club	3,680	1,690	2,783	2,587
Early Childhood Programs	550	2,512	2,641	421
Football	945	16,351	12,286	5,010
French Club	438	3,126	3,288	276
Girls Golf	1,877	329	423	1,783
Girls Soccer	279	1,217	824	672
Girls Softball	279	1,461	1,239	501
Girls Tennis	105	3	0	108
Girls Track	62	2	0	64
HS Athletic Program	1,579	1,800	1,527	1,852
HS Band	4,807	13,495	17,971	331
HS Cheerleading	384	1,940	2,240	84
HS Counseling	2,600	3,235	3,258	2,577
HS Field Trip	564	15	0	579
HS Library	194	311	428	77
HS Pop/Gift Fund	315	1,632	1,487	460
HS Science Club	989	22	164	847
HS Student Council	2,693	4,716	3,267	4,142
HS Yearbook	429	29,762	29,161	1,030
IC Alumni Football Game	0	2,300	0	2,300
IC Girls Basketball	125	377	422	80
IC New Field Signs	0	100	100	0
ICCS Alumni Assoc.	2,212	49	376	1,885
ICCS Choir	8,719	1,309	1,046	8,982
Subtotal	\$126,622	\$160,556	\$195,375	\$91,803

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
TRUST AND AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS - STUDENT ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

Student Activity	Due to (From) Student Groups July 1, 2007	Receipts	Disbursements	Due to (From) Student Groups June 30, 2008
In & Out	\$0	\$6,130	\$6,130	\$0
JV Cheer	0	432	432	0
Little League B-Ball	777	4,715	3,861	1,631
MD Donations	0	301	301	0
Morgan's Xmas Service	0	4,805	4,805	0
MS Cheerleading	1,262	7,450	6,413	2,299
MS Class Trip	1,880	35,435	33,901	3,414
MS Enrichment	5,554	1,394	3,665	3,283
MS General	4,547	9,073	8,672	4,948
MS Language Arts	30	1	0	31
MS Library	1,070	3,202	3,291	981
MS Pop	2,273	1,105	1,690	1,688
MS Student Council	2,928	7,631	8,054	2,505
MS Student Success	1,125	0	1,125	0
MS Wrestling	0	205	0	205
MS Yearbook	446	5,053	4,016	1,483
NHS	4,354	4,505	4,747	4,112
Quiz Bowl	473	13	0	486
Readiness	444	12	0	456
SADD	348	9	0	357
Ski Club	542	14	0	556
Spanish Club	147	1,037	1,030	154
Spartan Voice	1,610	43	0	1,653
Sr High General	1,921	3,607	3,775	1,753
Summer Sports Camp	158	4	0	162
Tennis	127	3	0	130
Venture High School	10,374	9,252	5,239	14,387
Volleyball	1,528	5,937	3,111	4,354
Weston General	7,644	13,687	16,834	4,497
Weston Library	203	251	154	300
Weston Pop	3,819	874	299	4,394
Wrestling	715	2,332	2,749	298
<u>TOTALS</u>	<u>\$182,921</u>	<u>\$289,068</u>	<u>\$319,669</u>	<u>\$152,320</u>

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
AS OF JUNE 30, 2008

1998 DURANT RESOLUTION PACKAGE BONDS

DATE OF ISSUE - November 24, 1998

Original amount of issue - \$325,344

	INTEREST REQUIREMENT	INTEREST RATE	PRINCIPAL REQUIREMENT	TOTAL REQUIREMENT
<u>PAYMENT DATE - MAY 15TH</u>				
2009	\$4,741	4.761353%	\$18,106	\$22,847
2010	42,000	4.761353%	111,503	153,503
2011	2,976	4.761353%	19,871	22,847
2012	2,029	4.761353%	20,816	22,845
2013	1,038	4.761353%	21,807	22,845
<u>TOTAL</u>	<u>\$52,784</u>		<u>\$192,103</u>	<u>\$244,887</u>

ENERGY CONSERVATION IMPROVEMENT BONDS

DATE OF ISSUE - June 24, 1999

Original amount of issue - \$985,000

<u>PAYMENT DATE</u>	INTEREST AMOUNT NOVEMBER 1	INTEREST AMOUNT MAY 1	RATE	PRINCIPAL REQUIREMENT	TOTAL REQUIREMENT
2008-2009	<u>\$2,850</u>	<u>\$2,850</u>	4.750%	<u>\$120,000</u>	<u>\$125,700</u>

2003 GENERAL OBLIGATION BUILDING & SITE BONDS

DATE OF ISSUE - September 1, 2003

Original amount of issue - \$7,635,000

<u>PAYMENT DATE</u>	INTEREST AMOUNT NOVEMBER 1	INTEREST AMOUNT MAY 1	RATE	PRINCIPAL REQUIREMENT	TOTAL REQUIREMENT
2008-2009	\$23,728	\$23,727	3.000%	\$165,000	\$212,455
2009-2010	21,252	21,253	3.500%	170,000	212,505
2010-2011	18,278	18,277	3.550%	180,000	216,555
2011-2012	15,083	15,082	3.650%	185,000	215,165
2012-2013	11,706	11,706	3.750%	195,000	218,412
2013-2014	8,050	8,050	3.850%	200,000	216,100
2014-2015	4,200	4,200	4.000%	210,000	218,400
<u>TOTAL</u>	<u>\$102,297</u>	<u>\$102,295</u>		<u>\$1,305,000</u>	<u>\$1,509,592</u>

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
AS OF JUNE 30, 2008

2006 REFUNDING BONDS

DATE OF ISSUE - March 8, 2006

Original amount of issue - \$22,125,000

<u>PAYMENT DATE</u>	<u>INTEREST AMOUNT NOVEMBER 1</u>	<u>INTEREST AMOUNT MAY 1</u>	<u>RATE</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>TOTAL REQUIREMENT</u>
2008-2009	\$483,844	\$483,844	3.75%	\$855,000	\$1,822,688
2009-2010	467,812	467,813	3.75%	960,000	1,895,625
2010-2011	449,813	449,812	3.75%	1,065,000	1,964,625
2011-2012	429,844	429,844	5.00%	1,185,000	2,044,688
2012-2013	400,218	400,219	5.00%	1,320,000	2,120,437
2013-2014	367,219	367,218	5.00%	1,470,000	2,204,437
2014-2015	330,469	330,469	4.75%	1,625,000	2,285,938
2015-2016	291,875	291,875	5.00%	1,790,000	2,373,750
2016-2017	247,125	247,125	5.00%	1,890,000	2,384,250
2017-2018	199,875	199,875	5.00%	1,990,000	2,389,750
2018-2019	150,125	150,125	4.25%	2,080,000	2,380,250
2019-2020	105,925	105,925	4.75%	2,175,000	2,386,850
2020-2021	54,269	54,269	4.75%	2,285,000	2,393,538
<u>TOTAL</u>	<u>\$3,978,413</u>	<u>\$3,978,413</u>		<u>\$20,690,000</u>	<u>\$28,646,826</u>

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
AS OF JUNE 30, 2008

2007 GENERAL OBLIGATION REFUNDING BONDS

DATE OF ISSUE - May 9, 2007

Original amount of issue - \$5,835,000

<u>PAYMENT DATE</u>	<u>INTEREST AMOUNT NOVEMBER 1</u>	<u>INTEREST AMOUNT MAY 1</u>	<u>RATE</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>TOTAL REQUIREMENT</u>
2008-2009	\$120,546	\$120,546	4.000%	\$10,000	\$251,092
2009-2010	120,346	120,346	4.000%	10,000	250,692
2010-2011	120,146	120,146	4.000%	10,000	250,292
2011-2012	119,946	119,946	4.000%	10,000	249,892
2012-2013	119,746	119,746	4.000%	10,000	249,492
2013-2014	119,546	119,546	4.000%	10,000	249,092
2014-2015	119,346	119,346	4.000%	10,000	248,692
2015-2016	119,146	119,146	5.000%	235,000	473,292
2016-2017	113,271	113,271	5.000%	245,000	471,542
2017-2018	107,146	107,146	4.000%	260,000	474,292
2018-2019	101,946	101,946	4.000%	265,000	468,892
2019-2020	96,646	96,646	4.000%	280,000	473,292
2020-2021	91,046	91,046	4.000%	290,000	472,092
2021-2022	85,246	85,246	4.000%	305,000	475,492
2022-2023	79,146	79,146	4.000%	320,000	478,292
2023-2024	72,746	72,746	4.000%	330,000	475,492
2024-2025	66,146	66,146	4.000%	345,000	477,292
2025-2026	59,246	59,246	4.000%	360,000	478,492
2026-2027	52,046	52,046	4.100%	375,000	479,092
2027-2028	44,359	44,359	4.100%	395,000	483,718
2028-2029	36,261	36,261	4.130%	410,000	482,522
2030-2031	27,805	27,805	4.150%	430,000	485,610
2031-2032	18,883	18,883	4.150%	445,000	482,766
2032-2033	9,649	9,649	4.150%	465,000	484,298
<u>TOTAL</u>	<u>\$2,020,356</u>	<u>\$2,020,356</u>		<u>\$5,825,000</u>	<u>\$9,865,712</u>

IMLAY CITY COMMUNITY SCHOOLS

IMLAY CITY, MICHIGAN

FEDERAL AWARDS
SUPPLEMENTAL INFORMATION

FOR THE YEAR ENDED JUNE 30, 2008

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Lewis & Knopf, CPA's, PC

Serving You with Trust and Integrity

September 22, 2008

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Education of
Imlay City Community Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Imlay City Community Schools, as of and for the year ended June 30, 2008, which collectively comprise the Imlay City Community Schools' basic financial statements and have issued our report thereon dated September 22, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Imlay City Community Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Imlay City Community Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Imlay City Community Schools' internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Imlay City Community Schools' ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Imlay City Community Schools' financial statements that is more than inconsequential will not be prevented or detected by the Imlay City Community Schools' internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Imlay City Community Schools' internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Imlay City Community Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



Imlay City Community Schools
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September 22, 2008

This report is intended solely for the information and use of management, the finance committee, Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

LEWIS & KNOFF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS



Lewis & Knopf, CPAs, PC

Serving You with Trust and Integrity

September 22, 2008

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

To the Board of Education of
Imlay City Community Schools

Compliance

We have audited the compliance of Imlay City Community Schools with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. Imlay City Community Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Imlay City Community Schools' management. Our responsibility is to express an opinion on Imlay City Community Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Imlay City Community Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Imlay City Community Schools' compliance with those requirements.

In our opinion, Imlay City Community Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Imlay City Community Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Imlay City Community Schools' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Imlay City Community Schools' internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.



Imlay City Community Schools
Page 2
September 22, 2008

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Imlay City Community Schools, as of and for the year ended June 30, 2008, and have issued our report thereon dated September 22, 2008. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Imlay City Community Schools' basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the finance committee, management, Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

LEWIS & KNOPF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

FEDERAL GRANTOR/PASS-THROUGH GRANTOR PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH PROJECT NUMBER	PROGRAM OR AWARD AMOUNT
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed Through Michigan Department of Education:			
Title I Grants to Local Educational Agencies	84.010		
ESEA Title I - Regular (06-07)		71530-0607	\$224,806
ESEA Title I - Regular (07-08)		81530-0708	260,231
Total Title I Grants to Local Educational Agencies			<u>\$485,037</u>
Migrant Education	84.011		
Migrant Education - Regular (07-08)		81890-0708	121,263
Migrant Education - Regular (06-07)		71890-0607	128,866
Migrant Education - Summer Formula (07-08)		61830-2007	98,925
Total Migrant Education			<u>\$349,054</u>
Innovative Education Programs	84.298		
Title V (07-08)		80250-0708	492
Technology Literacy Grants	84.318		
Technology Literacy Grants (06-07)		74290-0607	2,308
Technology Literacy Grants (07-08)		84290-0708	2,424
Total Technology Literacy Grants			<u>\$4,732</u>
English Language Acquisition Grants	84.365A		
Limited English Proficient (06-07)		70580-0607	37,923
Limited English Proficient (07-08)		80580-0708	56,852
Total English Language Acquisition Grants			<u>\$94,775</u>
Title IIA	84.367		
Improving Teacher Quality (05-06)		60520-0506	84,823
Improving Teacher Quality (06-07)		70520-0607	84,258
Improving Teacher Quality (07-08)		80520-0708	85,588
Total Title IIA			<u>\$254,669</u>
Total Passed Through the Michigan Department of Education			<u>\$1,188,759</u>
Passed Through Lapeer Intermediate School District:			
Special Education - Grants to States	84.027		
IDEA Flow Through (07-08)		80450-0708	163,278
IDEA Flow Through (06-07)		70450-0607	155,022
Total Special Education - Grants to States			<u>\$318,300</u>
Special Education - Preschool Grants	84.173		
IDEA Preschool (07-08)			15,523
Total Passed Through Lapeer Intermediate School District			<u>\$333,823</u>

ACCRUED (DEFERRED) REVENUE JULY 1, 2007	PRIOR YEAR EXPENDITURES	CURRENT YEAR EXPENDITURES	ADJUSTMENTS PRIOR YEARS	CURRENT YEAR CASH/ PAYMENTS IN KIND RECEIVED	ACCRUED (DEFERRED) REVENUE JUNE 30, 2008
\$49,856	\$224,806	\$0	\$0	\$49,856	\$0
0	0	260,231	0	219,360	40,871
\$49,856	\$224,806	\$260,231	\$0	\$269,216	\$40,871
0	0	121,263	0	94,615	26,648
30,216	128,866	0	0	30,216	0
0	0	98,914	0	98,914	0
\$30,216	\$128,866	\$220,177	\$0	\$223,745	\$26,648
0	0	492	0	483	9
40	1,690	618	0	658	0
0	0	2,424	0	1,740	684
\$40	\$1,690	\$3,042	\$0	\$2,398	\$684
7,639	36,289	0	0	7,639	0
0	0	56,852	0	40,920	15,932
\$7,639	\$36,289	\$56,852	\$0	\$48,559	\$15,932
1,057	84,822	0	0	1,057	0
26,458	84,258	0	0	26,458	0
0	0	70,648	0	63,420	7,228
\$27,515	\$169,080	\$70,648	\$0	\$90,935	\$7,228
\$115,266	\$560,731	\$611,442	\$0	\$635,336	\$91,372
0	0	163,277	0	163,277	0
4,386	155,022	0	0	4,386	0
\$4,386	\$155,022	\$163,277	\$0	\$167,663	\$0
0	0	15,523	0	15,523	0
\$4,386	\$155,022	\$178,800	\$0	\$183,186	\$0

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

FEDERAL GRANTOR/PASS-THROUGH GRANTOR PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH PROJECT NUMBER	PROGRAM OR AWARD AMOUNT
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed Through Genesee Intermediate School District:			
Safe & Drug Free Schools	84.186		
Drug Free Schools (06-07)		72860-0506	\$2,600
<u>TOTAL U.S. DEPARTMENT OF EDUCATION</u>			\$1,525,182
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed Through Michigan Department of Education:			
Food Distribution	10.550		
Entitlement Commodities		N/A	50,439
Bonus Commodities		N/A	3,570
Total Commodities			\$54,009
School Breakfast Program	10.553	N/A	110,340
National School Lunch Program	10.553	N/A	335,066
Summer Food Service Program	10.559	N/A	19,160
<u>TOTAL U.S. DEPARTMENT OF AGRICULTURE</u>			\$518,575
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Passed Through Lapeer Intermediate School District			
Medical Assistance Program Title XIX	93.778		
Medicaid Outreach (07-08)		N/A	16,663
Passed Through Northeast Michigan Community Services Agency, Inc. (NEMCSA)			
Head Start (07-08)	93.600	N/A	14,598
<u>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			\$31,261
<u>TOTAL FEDERAL AWARDS</u>			\$2,075,018

ACCRUED (DEFERRED) REVENUE JULY 1, 2007	PRIOR YEAR EXPENDITURES	CURRENT YEAR EXPENDITURES	ADJUSTMENTS PRIOR YEARS	CURRENT YEAR CASH/ PAYMENTS IN KIND RECEIVED	ACCRUED (DEFERRED) REVENUE JUNE 30, 2008
\$2,600	\$2,600	\$0	\$0	\$2,600	\$0
\$122,252	\$718,353	\$790,242	\$0	\$821,122	\$91,372
0	0	50,439	0	50,439	0
0	0	3,570	0	3,570	0
\$0	\$0	\$54,009	\$0	\$54,009	\$0
0	0	110,340	0	110,340	0
0	0	335,066	0	335,066	0
0	0	19,160	0	19,160	0
\$0	\$0	\$518,575	\$0	\$518,575	\$0
0	0	16,663	0	16,663	0
0	0	14,598	0	14,598	0
\$0	\$0	\$31,261	\$0	\$31,261	\$0
\$122,252	\$718,353	\$1,340,078	\$0	\$1,370,958	\$91,372

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
NOTES/RECONCILIATION TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

FEDERAL REVENUE RECOGNIZED FOR SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS

\$1,340,078

FEDERAL REVENUE RECOGNIZED PER THE GENERAL
PURPOSE FINANCIAL STATEMENTS PURPOSE

General Fund

\$806,905

School Service Fund

533,173

TOTAL

\$1,340,078

- 1) The Schedule of Expenditures of Federal Awards had been prepared under the modified accrual basis of accounting.
- 2) Management has utilized the Grants Section Auditors Report (Form R7120) in preparing the Schedule of Expenditures of Federal Awards. All differences between the Schedule of Expenditures of Federal Awards and the Form R7120 have been reconciled in the attached reconciliation on page 8 of this report.
- 3) As of the date of completion of fieldwork, the Schedule of Transfers to Sub-Recipients from the Intermediate School Districts was not available. The amounts shown on the Schedule of Federal Financial Assistance as flow through from the Intermediate School Districts may not be conclusive.

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
RECONCILIATION OF FORM R 7120 "GRANT SECTION AUDITOR'S REPORT"
TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

Current Payments Per the Grant Section Auditor's Report		
(Form R 7120)		\$464,566
Cash Management System		635,336
Total		<u>\$1,099,902</u>
<u>Add:</u> Passed Through Lapeer Intermediate School District:		
Special Education (CFDA 84.027)	\$167,663	
IDEA Preschool (CFDA 84.173)	15,523	
Medical Assistance Program Title XIX (CFDA 93.778)	<u>16,663</u>	
Total Passed Through Lapeer Intermediate School District		199,849
 Passed Through Genesee Intermediate School District:		
Safe & Drug Free Schools (CFDA 84.186)		2,600
 Passed Through NEMCSA		
Head Start (CFDA 93.600)		14,598
 Entitlement and Bonus Commodities (CFDA 10.550)		<u>54,009</u>
 <u>TOTAL CURRENT YEAR RECEIPTS PER SCHEDULE OF EXPENDITURES</u>		
<u>OF FEDERAL AWARDS</u>		<u><u>\$1,370,958</u></u>

IMLAY CITY COMMUNITY SCHOOLS- IMLAY CITY, MICHIGAN
SUMMARY OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued:

Unqualified

Internal control over financial reporting:

- Is a “going concern” explanatory paragraph included in the audit report? ☐ Yes ☒ No
- Is a significant deficiency disclosed? ☐ Yes ☒ No
- Is any Significant deficiency reported as a material weaknesses? ☐ Yes ☒ None reported
- Is a material noncompliance disclosed? ☐ Yes ☒ No

Federal Awards

- Dollar threshold use to distinguish between type A and type B programs: \$ 300,000.00
- Did the auditee qualify as a low-risk auditee? ☒ Yes ☐ No
- Is a significant deficiency disclosed for any major program? ☐ Yes ☒ No
- Is any significant deficiency reported for any major program as a material weakness? ☐ Yes ☒ None reported

Type of auditor’s report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

☐ Yes ☒ No

Identification of major programs:

CFDA Number(s)
10.553/10.555/10.559

Name of Federal Program or Cluster
Nutrition Cluster

SECTION II – FINANCIAL STATEMENT FINDINGS

There were no current year findings.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no current year findings.

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

There were no prior year findings.